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C O N F I D E N T I A L SECTION 01 OF 03 NEW DELHI 000338

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SUBJECT: SARKOZY'S VISIT TO INDIA LONG ON DRAMA, SHORT ON
SUBSTANCE

REF: NEW DELHI 277

Classified By: POLCOUNS Ted Osius for reasons 1.4 (a,b,d)

11. (SBU) SUMMARY: President Sarkozy made a two-day stop in India amid a whirlwind of media speculation regarding whether his famous girlfriend, supermodel Carla Bruni, would accompany him. Sarkozy's visit stimulated both governments to officially confirm that they have finalized their civil nuclear agreement, and generated the signing of significant corollary agreements for joint Indo-French civilian nuclear research. Paris and New Delhi pledged to triple bilateral trade to USD 18 billion within five years, and with the GOI's blessing, France announced the opening in 2008 of new consulates in Kolkata and Bangalore and the formal establishment of the Agence Francaise de Developpement (AFD) in India. The French left without inking any of the large defense deals which had been rumored, but the CEO of Dassault (manufacturer of the French Rafael, a competitor of Boeing and Lockheed Martin for the MRCA) made a tantalizing offer of full transfer of sensitive technology that if put into effect could prove too tempting for the GOI to refuse. END SUMMARY.

-- FRANCE AND INDIA ANNOUNCE FINALIZED CIV-NUKE DEAL --

12. (C) MEA Undersecretary (West Europe/France) Biraja Prasad asserted to PolOff January 30 that the Indo-French agreement on civilian nuclear cooperation has been completed and that implementation could proceed after negotiations with the IAEA have been finalized and the exemption granted from the NSG. Hugues de Longevialle, Nuclear Affairs Officer with the French Embassy in New Delhi, clarified to PolOff that the French agreement hardly differed from the 123 Agreement, since, he said, the Indian side relied on the 123 to push their positions. The agreement is quite similar to other bilateral agreements that the French have done, de Longevialle noted, with the exception of the fuel supply assurance and strategic reserve clauses, which mirror the 123. When asked if the French agreement would allow for fuel cycle assistance (i.e. enrichment and reprocessing technology [ENR] transfers), de Longevialle attested that ENR transfers are neither allowed nor forbidden, since the agreement, like the 123, is only a framework arrangement. De Longevialle underlined that the French agreement is in complete compliance with France's international agreements, and that

it remains contingent upon not just IAEA and NSG approval but also the EC under the EURATOM agreement. Sandeep Dixit, Hindustan Times reporter, revealed to PolOff that during Sarkozy's visit the Areva subsidiary Framatome had urged the GOI to sign an agreement for France to build additional reactors in India but that this offer had been rebuffed.

... WHILE ADVANI SNIPES AT THE US-INDIA 123 AGREEMENT

13. (C) First Secretary Guillaume Bazard of the French Embassy related to PolOff that BJP Leader L.K. Advani responded to President Sarkozy's query about why the BJP did not support the US 123 Agreement by saying that the negotiation process was "unacceptable" and the deal itself "contrary to India's sovereignty." He added that the Indian government had not sufficiently consulted with the BJP before agreeing to the deal.

-- INDIA BUYS INTO FRENCH RESEARCH REACTOR PROGRAM --

14. (C) The GOF and GOI signed an agreement for collaboration on the Jules Horowitz research reactor in Cadarache, France. De Longevialle explained that India has purchased three percent access rights to conduct research on the reactor by financing three percent of the construction cost, and will send scientists from India's Department of Atomic Energy (DAE) to France for this research. The agreement, expected to be completed by 2014, will not result in any transfer of technology or materials. De Longevialle stated that India was eager to engage in such cooperation because it can test new types of fuel for the next generation of reactors. Currently, India uses its reactors only for the three-stage program research. He

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speculated that the Indians view the research agreement as elevating their nuclear status.

-- IN DELHI, FRANCE WELCOMES INDIA WITH OPEN ARMS --

15. (C) The GOF expressed its strong support for India's inclusion as a permanent member of the United Nations Security Council and G8 negotiations. Citing President Sarkozy, Bazard told PolOff that France called for an enlargement of the G8 to the G13 including emerging countries India, China, Brazil and South Africa, stating that India was not given as much credit as it should receive within the international community. The GOI welcomed France's announcement to open two new French consulates in Kolkata and Bangalore in 2008 and an agreement to formally establish the Agence Francaise de Developpement (AFD) in India.

...AND OPEN POCKETBOOKS

16. (U) Bilateral trade stood at USD six billion in 2006-2007, putting France as India's eighth largest trading partner. With France's upcoming Presidency of the EU, the two countries reinforced their aim to achieve an ambitious target of USD 18 billion in bilateral trade by 2012 and significantly stepping up investments which to date have been modest. France is India's eight largest foreign investor, with cumulative Foreign Direct Investment (FDI) through October 2007 of USD 661 million.

-- DESPITE EUROCOPTER'S AGONY, DEFENSE COOPERATION MOVES FORWARD --

17. (C) After announcing in February 2007 that the French-German aircraft consortium Eurocopter had won the competition to supply the Indian army with 197 new military helicopters, the GOI scrapped the USD 600 million deal in December, citing irregularities in the selection process. The GOF immediately delivered a demarche of protest to the GOI in December, but as related to us by Bazard, President

Sarkozy stuck a more conciliatory tone during this visit, expressing his understanding for the Indian authorities' decision. Both countries reiterated their aspirations to consolidate their relationship by increasing the frequency of their military joint-operations and cooperation, and signed an agreement for the Protection of Classified Information and Security.

-- DASSAULT MAKES STRONG PITCHES FOR RAFAEL, MIRAGE JETS --

18. (C) Despite predictions by much of the Indian press prior to Sarkozy's visit, India did not sign an agreement with France for a multi-million dollar upgrade for its Dassault-made Indian Air Force Mirage jets. Dassault, which is fielding its Rafael in the ongoing USD 10 billion competition to supply India with multi-role combat aircraft (MRCA), sent its CEO Charles Edelstenne to accompany Sarkozy and pitch the Rafael. Dixit relayed that Edelstenne has promised New Delhi complete and unconditional transfer of sensitive technology (ToT) if Dassault wins the competition, in contrast to the U.S., which, Edelstenne reportedly asserted, has cumbersome strings attached to its defense sales. Edelstenne also described the Lockheed Martin F-16 as "one generation behind" the Rafael, and that problems with Russian equipment (alluding to the MIG-29, another competitor) "always exists."

-- COMMENT: MODEST GALLIC GAINS FOR NOW; MORE DOWN THE ROAD, PEUT-ETRE --

19. (C) COMMENT: Unfortunately for Sarkozy, the Indian public seemed more seized on sordid speculation whether his famous girlfriend Carla Bruni would accompany him to Delhi and the Taj Mahal, and if so what sort of diplomatic protocols the GOI would afford her, than on the substance of the visit. Ms. Bruni stayed home, and Sarkozy was left with a group of around 300 businessmen and scientists to accompany him. In the end, Sarkozy was able to walk away with a few deliverables, but in comparison to the huge public relations bounce President Putin received as last

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year's Republic Day Guest of Honor, or the impressive public diplomacy PM Gordon Brown achieved here earlier in the week, this visit generally fizzled. The agreement to offer India a share of the advanced Jules Horowitz reactor was the most notable immediate takeaway from this visit, although MOUs on nuclear cooperation have the French teed up to pounce on the Indian civil nuclear market once the IAEA and NSG actions take place. French defense giants also went home essentially empty handed, having failed to ink the lucrative Mirage upgrade deal, which the Israelis could still snatch away on price, and having given up on overturning the GOI decision to trash the Eurocopter deal -- although we can expect an all-out effort from the French on the rebid, which now includes over 100 air force helicopters in addition to the nearly 200 army helos. Both the French Embassy here and MEA labeled this visit a grand success, but to us it seemed more like a petit success.

END COMMENT.

MULFORD